

No. 14701
IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

KIMBERLY CORPORATION, a corporation,

Appellant,

vs.

HARTLEY PEN COMPANY, a corporation, LINDY PEN Co.,
Inc., a corporation, and SIDNEY LINDEN, individually
and doing business as Adams-Linden Co.,

Appellees.

**ANSWERING BRIEF OF APPELLEE HARTLEY
PEN COMPANY.**

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I.
INTRODUCTION.

We suggest that Appellant's Opening Brief does not comply with Rule 18(d) of this Court by its failure to state "as particularly as may be wherein the findings of fact and conclusions of law are alleged to be erroneous." Appellant's brief does not challenge a single Finding of Fact by number and we, as well as this Court, must guess which Findings of Fact or portions thereof are alleged by appellant to be erroneous. Appellant's Specification of Errors [R. 9-10]* does not refer specifically

*Abbreviations "R." followed by numbers will hereinafter designate transcript of record and page numbers.

to any Finding by number. It appears that most of the Findings of Fact are not challenged in any way, or even referred to, by appellant.

Appellant's brief, we suggest, is a mere quibble over a few isolated evidentiary facts and makes no attempt to show wherein the Findings of Fact are "clearly erroneous." This is appellant's burden on this appeal, and, we submit, it has wholly failed to carry it to any degree whatever.

In view of the confusion, both as to form and substance in appellant's brief, we make no attempt to answer its contentions seriatim, feeling that a full and fresh exposition of the facts and law will be more helpful to the Court.

II.

STATEMENT OF THE CASE.

(A) The Manner in Which the Questions Involved Were Raised.

This action was originally filed on April 9, 1953, by plaintiff Hartley Pen Company against defendant Lindy Pen Co., Inc., for infringement of Letters Patent No. 2,498,009 owned by the plaintiff [Finding III, R. 41]. It was initially a simple action for patent infringement. All proceedings in the action and the trial were before the Hon. Wm. C. Mathes, United States District Judge.

On January 15, 1954, appellant Kimberly Corporation filed its Motion to Intervene as a plaintiff upon the ground that it was the equitable owner of the patent in suit and, as such, has an interest in the patent infringement action. Such motion was granted by the District Court by an order entered March 11, 1954 [Finding V, R. 42], and the original intervenor's Complaint appears at R. 3.

Plaintiff moved to dismiss Intervener's Complaint on various grounds, including the defense that intervenor's claim to title of the patent in suit was barred because not commenced within either the two-year or three-year periods specified by Sections 339(1) and 338(4) of the California Code of Civil Procedure, and upon said motion Intervener's Complaint was dismissed by the District Court with leave to intervenor to file an amended complaint in intervention, and on July 13, 1954, appellant filed its Intervener's First Amended Complaint, which appears at R. 16.

By a motion for summary judgment filed August 6, 1954, plaintiff Hartley Pen Company sought the dismissal of Intervener's First Amended Complaint, upon the grounds that intervenor's claim to title of the patent in suit was barred by the statutes of limitation of the State of California and by laches of the intervenor. Plaintiff's motion for summary judgment was denied by the District Court. On October 20, 1954, plaintiff Hartley Pen Company filed its answer to Intervener's First Amended Complaint, setting forth as affirmative defenses that the claim of intervenor Kimberly Corporation of title to the patent in suit is barred by the statutes of limitation of the State of California and by laches [R. 38].

A separate trial was had pursuant to Rule 42(b) before the District Court on October 26, 1954, on the issues raised by the affirmative defenses of laches and the California statutes of limitation set forth in plaintiff's answer, and on November 23, 1954, the District Court entered its order [R. 40] dismissing Intervener's First Amended Complaint on the merits on the ground of laches. On December 22, 1954, the District Court entered its Findings of Fact [R. 41], Conclusions of Law [R. 54], and Judgment [R. 55].

(B) The Issues.

The only issue involved in this appeal is whether appellant's claim to title to the patent in suit is barred by the statutes of limitation of the State of California and by its own gross laches.

There are many other issues in this action which are in nowise involved in this appeal. For example, whether appellant actually has any interest in or right to the patent in suit was not considered by the District Court and is not an issue here. Similarly, the questions of validity and infringement of the patent in suit have not been considered by the District Court and are not before this Court.

(C) The Facts.

Appellant's "Statement of the Case" (App. Op. Br. pp. 2-8) is largely a review of some of the allegations of its complaint in intervention [R. 16], but, since all of the pertinent allegations of such complaint are denied in the answer [R. 28], such review by appellant cannot be helpful to the Court in any way.

The pertinent facts are as follows:

The District Court found [Finding X, R. 45] that, on or about January 20, 1945, Hartley M. Sears entered into a written contract [R. 185] with Leo Mizis (now known as Leo M. Kimberly), by which Sears was employed for five years to invent and develop fountain pens and parts therefor, and was required to assign to Mizis all related inventions and future improvements. Mizis' rights in this contract were assigned by him to appellant, Kimberly Corporation, prior to September, 1945.

The District Court found [Finding XI, R. 46] that, in September, 1945, appellant, Kimberly's Corporation, employed Sears and one H. Donovan Green by a written employment contract [R. 187], which: expressly cancelled the January 20, 1945, contract; expressly employed Green to develop and promote experimental work in connection with ball pens and inks, and required Green to assign to appellant all rights to any ink formulas developed by him. This contract was silent as to any obligation on Sears to assign inventions to appellant.

This District Court found [Finding XI, R. 46] that, appellant's claim to ownership of Letters Patent No. 2,498,009 in suit is not based on any written contract.

The District Court found [Finding XII, R. 46] that, Schrader was orally employed by appellant in September, 1945.

The District Court found [Finding XIII, R. 47], that, the inventions of the machine and method of Letters of Patent No. 2,498,009 in suit were made by Sears and Schrader jointly while employed by appellant and between September, 1945, and March 1, 1947, and that such a machine was completed, in the possession of appellant, and that the machine and method were in commercial use by appellant prior to March 1, 1947.

The District Court found [Finding XIII, R. 47] that if either Sears or Schrader were under any obligation to assign the inventions of the patent in suit to appellant such obligation matured not later than March, 1947.

The District Court found [Finding XIV, R. 48] that: the machine and method of the patent in suit were fully known to appellant at least as early as March, 1947, and neither was at any time concealed from appellant by either

Sears or Schrader; and that at all times during the employment of Sears and Schrader by appellant and thereafter, appellant was represented by patent counsel, C. A. Miketta, Esq., of Los Angeles.

The District Court found [Finding XIV, R. 48] that prior to May, 1947, appellant appreciated that the machine and method of the patent in suit might be patentable, but at no time made any inquiry of Mr. Miketta or any other patent counsel as to the patentability of either the machine or method, and the question of such patentability called merely for an opinion of patent counsel.

The District Court found [Finding XV, R. 49] that: as early as June, 1947, Sears and Schrader were requested by an agent of appellant and with its authorization to execute a written agreement to assign to appellant inventions made by them during the course of their employment by appellant, and specifically all such inventions "embodied in apparatus or mechanical devices uses by Kimberly Corporation prior to May 1, 1947, in the manufacture of ball pens or parts thereof" [R. 178-180], and at that time appellant knew that the machine of the patent in suit which was in its possession had been designed by Sears and Schrader and was a mechanical device which had been so used by appellant; that both Sears and Schrader refused to execute such agreements to assign, and this fact was known to appellant prior to June 5, 1947; that Sears, in particular, so refused on the stated ground that he was not obligated to do so under the terms of his employment, and this was known to appellant prior to June 5, 1947; and that such refusals by Sears and Schrader in May or June, 1947, constituted a repudiation by them of any obligation that they might have had to assign to appellant inventions made by them during their employment by it.

The District Court found [Finding XV, R. 50] that in lieu of such written agreements to assign inventions to appellant Sears and Schrader on June 5, 1947, executed certain documents [R. 180-181] which, in effect, granted to appellant a free right to use or shop right pertaining to apparatus, machines and methods relating to ball pens used by appellant theretofore, which agreements were delivered to general counsel for appellant on or about June 11, 1947 [R. 223-224]. Mr. Marcus, counsel for appellant, acknowledged that these documents were received by him on or about June 11, 1947 [R. 160].

The District Court found [Finding XVI, R. 51] that, prior to June 14, 1947, the shareholders of appellant were negotiating an Option Agreement with Eversharp, Inc., and that on or about June 14, 1947, contracting shareholders of appellant executed a written agreement to assign to appellant all of their right in inventions, designs, improvements and methods relating to ball point pens theretofore made or acquired by them, but that Sears was expressly relieved from such covenant to assign, with the full knowledge of appellant [R. 176].

The District Court found [Finding XVIII, R. 52] that, the Letters Patent No. 2,498,009 in suit issued to appellee on February 21, 1950, the same having been assigned to appellee Hartley Pen Company by a written assignment from Sears and Schrader recorded in the patent office of November 12, 1949, and that appellee has at all times been the legal owner of said Letters Patent in suit.

The District Court found [Finding XX, R. 53] that, following its requests in May or June, 1947, to Sears and Schrader to assign to it inventions made by them during their employment by it, appellant took no action whatever to claim ownership of the inventions of Letters Patent

No. 2,498,009 in suit until appellant filed its motion for leave to intervene in this action on June 15, 1954.

The District Court also found that: appellant, having the knowledge that it had as early as May, 1947, was negligent in failing to make an independent investigation as to the patentability of the machine and method of the patent in suit [Finding XIV, R. 48]; the refusals of Sears and Schrader as early as May or June, 1947, to agree to assign to appellant inventions made by them during their employment, and the fact that appellant knew that they had during such employment designed the machine and developed the method of the patent in suit, were circumstances sufficient to put a prudent man upon independent inquiry as to their patentability, and such circumstances amounted to constructive notice to appellant as early as June 14, 1947, that such machine and method were patentable, and appellant had no right to rely upon any statements allegedly made by Sears or Schrader as to such patentability [Finding XVII, R. 51].

The District Court also found [Finding XVIII, R. 52], that, the written patent assignment recorded on November 12, 1949, and the issuance of the patent on February 21, 1950, each constituted constructive notice of the facts to appellant.

The District Court also found [Finding XIX, R. 53] that, prior to the middle of 1950, appellant received direct and *actual* notice of the issuance and contents of Letters Patent No. 2,498,009 in suit.

The District Court also found [Finding XXI, R. 53] that the delays of appellant in asserting its present claim to ownership of Letters Patent No. 2,498,009 and the inventions thereof constitute gross laches such as to bar its present claim.

The Findings of Fact of the District Court are all fully documented by footnote references to the supporting evidence. There is, therefore, ample evidence in the record to support each of the Findings.

III.

SUMMARY OF THE ARGUMENT.

A. The District Court dismissed appellant's claim for relief on the ground that appellant was guilty of laches in asserting such claim, but equally applicable to bar such claim are Sections 338(4) and 339(1) of the California Code of Civil Procedure.

B. Appellant's claim for relief arises under the laws of the State of California, and not under Federal law.

C. The statutes of limitation of the State of California are applicable and should be applied in this action.

D. Sections 338(4) and 339(1) of the California Code of Civil Procedure are the applicable statutes of limitation.

E. Appellant does not assert or show any abuse of discretion by the District Court in its holding of laches and appellant has, therefore, not sustained its burden on this appeal.

F. Appellant's claim for relief was made and repudiated in June, 1947, and its delay of over six years thereafter bars this action.

G. Appellant had actual notice of the patent in suit prior to the middle of 1950, and its failure to assert any claim thereto until January 15, 1954, is barred by laches and the appropriate statutes of limitation.

H. Appellant's claim for relief is barred by its constructive notice of the facts regarding such claim as early as June, 1947, and its delay thereafter in further asserting its claim.

I. There is no actual fraud involved in this action.

J. The record and law amply support the District Court's holding that appellant was guilty of laches.

K. Appellant's attack on C. A. Miketta, Esq. is wholly unwarranted, as he represented only appellant with regard to the subject matter of this action at the time appellant made its original claim to ownership and when such claim was repudiated by Sears and Schrader.

IV.

THE ARGUMENT.

A. The Legal Basis Supporting Dismissal of Appellant's Claim.

The District Court dismissed appellant's claim to ownership of the patent in suit on the ground that appellant was guilty of laches in asserting such claim [R. 54-56]. Equally applicable to bar appellant's claim, we suggest, are either of the statutes of limitation of the State of California set forth in Sections 338(4) (three years) and 339(1) (two years) of the California Code of Civil Procedure.

As found by the District Court [Finding XX, R. 53], following its requests in May or June, 1947, to Sears and Schrader (the joint inventors of the patent in suit) to assign to it inventions made by them during their employment by it, appellant took no action whatever to claim ownership to such inventions until it appeared in this

action on January 15, 1954, a period of over *six* years. This finding of fact is not challenged by appellant.

Since appellant's delay in pressing its claim for relief is far in excess of the applicable California statutes of limitation, it is immaterial to the result whether it be held that such claim and appellant's action are barred by such statutes of limitation, or one of them, or by laches, as held by the District Court. On either ground the judgment dismissing appellant's action should be affirmed. In the interests of technical legal correctness, however, we hereinafter argue both theories.

B. Appellant's Claim for Relief Is Local in Character.

Appellant's complaint in intervention: alleges that under the conditions of their employment by appellant Sears and Schrader were obligated to assign all patent rights on improvements made by them during such employment to appellant [Par. 11, R. 19]; alleges that the inventions of the patent in suit were such improvements made by them during their employment [Par. 14, R. 20]; alleges that appellant was entitled to an assignment from Sears and Schrader of the patent in suit [Par. 19, R. 23]; alleges that plaintiff Hartley Pen Company, as assignee of the patent in suit, is not a bona fide assignee and holds title thereto as a constructive trustee for the benefit of appellant [Pars. 20, 21, R. 23-24]; and prays for an assignment of the patent in suit [Prayer, Par. B, R. 25]. These allegations are, of course, denied by plaintiff Hartley Pen Company [Answer, R. 28], and whether Sears or Schrader were actually under any obligation to assign to appellant the inventions of the patent in suit

was not passed upon by the District Court and is not an issue here.

It is, therefore, plain that appellant's action is simply to compel an assignment of the patent in suit. The law is clear that such an action involves no Federal Law does not arise under any Act of Congress, and is merely local in character. See: *Pratt v. Paris Gaslight & Coke Co.*, 168 U. S. 225, 42 L. Ed. 458; Walker on Patents, (Deller's Ed. 1937), Section 413. The District Court took jurisdiction on the ground that appellant's claim to ownership of the patent in suit was ancillary to the main cause of action for patent infringement [Finding VI, R. 43], but this does not affect the fact that appellant's claim arises under the laws of the State of California and is simply local in character.

C. The California Statutes of Limitation Are Applicable.

Since, as pointed out above, appellant's claim for relief arises under the laws of the State of California, we submit that the statutes of limitation of the State of California are applicable as a bar to this action by appellant, and should have been held by the District Court to directly bar this action, without any regard to the doctrine of "laches."

The recent decision of the Supreme Court in the case of *Guaranty Trust Co. v. York*, 326 U. S., 99, 65 S. Ct. 1464, 89 L. Ed. 2079 (1945) is determinative of this point, holding that in an equity case for breach of trust brought in the Federal courts, arising under State law, the Federal court was required to apply the State statute of limitations that would govern like suits in the courts of

the State where the Federal court was sitting. To the same effect, See: *Ragan v. Merchants Transfer & Warehouse Co., Inc.*, 337 U. S. 530, 69 S. Ct. 1233, 93 L. Ed. 1520 (1948).

The District Court, here, found as a fact that appellant's claim to ownership of the patent in suit would be barred by applicable State statutes of limitation if brought in the court of the State of California [Finding XXII, R. 53]. This finding of fact is not challenged or mentioned by appellant.

As pointed out by the Supreme Court in the *Guaranty Trust Case*, *supra* (at p. 109) "for the same transaction the accident of a suit by a non-resident litigant in a Federal court instead of in a State court a block away should not lead to a substantially different result." While that case was based on diversity of citizenship, the same reasoning applies to the present case in which appellant also asserted a choice of forums and selected the Federal court instead of the courts of the State of California only a short block away.

Therefore, we suggest that there was no burden on appellee Hartley Pen Company to show prejudice resulting from the delays of appellant to take action extending beyond the expiration of the statutes of limitation of the State of California, and that appellant's argument with respect to such a showing of prejudice (pp. 45-49) is irrelevant.

We further submit that since this action by appellant would be barred by the applicable statutes of limitation of the State of California if brought in its courts, the action is so barred here as a matter of law and the judgment should be affirmed on that ground without the necessity of considering the detailed facts.

D. The Relevant California Statutes of Limitation.

While the District Court found that appellant's action "would be barred by applicable state statutes of limitation, if asserted in the courts of the State of California [R. 54]," the District Court referred only to Section 338(4) of the California Code of Civil Procedure, as follows:

"§338. Within three years. . . .

"4. An action for relief on the ground of fraud or mistake, the cause of action in such case not to be deemed to have accrued until the discovery, by the aggrieved party, of the facts constituting the fraud or mistake."

We suggest, however, that Section 339(1) of the California Code of Civil Procedure is equally, if not more, apposite to the facts of this case. Section 339(1) is as follows:

§339. Within two years:

"1. An action upon a contract, obligation or liability not founded upon an instrument of writing.
. . . ."

Appellant's claim to ownership of the patent in suit is not based upon any written contract, as conceded by its counsel [R. 81] and as so found as a fact by the District Court [Finding XI, R. 46]. Appellant's claim is based solely upon an alleged implied-in-law obligation of Sears and Schrader to assign to appellant inventions made by them during their employment and arising out of the fact of such employment.

The District Court found that the machine of the patent in suit was in the possession of appellant and commercially used by it to practice its method of use prior to

March, 1947 [Finding XIII, R. 47], and that as early as May or June, 1947, appellant knew that Sears and Schrader had during their employment designed such machine and developed the method [Finding XVII, R. 52]. The District Court further found that if either Sears or Schrader was under any obligation to assign the inventions of the patent in suit to appellant, such obligation matured upon the completion of such inventions and not later than March, 1947 [Finding XIII, R. 47], and further found that appellant's claim to ownership arose at least as early as June 14, 1947 [Finding XVII, R. 52]. These findings are not attacked by appellant.

Since appellant's claim is a simple one on an implied-in-law obligation, it is, we suggest, directly within Section 339(1) *supra*, and, since appellant took no action whatever to assert its claim within the two-year period of Section 339(1), its claim should be held barred thereby and the judgment affirmed on this ground.

E. The District Court Did Not Abuse Its Discretion in Sustaining the Defense of Laches.

There is not even any assertion in appellant's brief that the District Court abused its discretion in sustaining the defense of laches.

The defense of laches is an equitable defense addressed to the sound discretion of the chancellor.

See:

Robert Hind, Limited v. Silva, 75 F. 2d 74, 78 (C. C. A. 9, 1935);

Gillons v. Shell Co. of California, 86 F. 2d 600, 607 (C. C. A. 9, 1936);

Gardner v. Panama R. Co., 342 U. S. 29, 96 L. Ed. 31, 72 S. Ct. 12 (1951);

Potash Co. of America v. International Min. & C. Corp., 213 F. 2d 153, 155 (C. A. 10, 1954).

Where a decision is predicated upon the sound discretion of the trial court, there is a heavy burden upon an appellant pressing an appeal to demonstrate convincingly that the chancellor abused his discretion in rendering such decision.

See:

Fidelity & Deposit Co. of Maryland v. Lindholm, 66 F. 2d 56, 61 (C. C. A. 9, 1933).

The decision of the trial court should not be set aside unless it is palpably wrong.

See:

Gillons v. Shell Co. of California, *supra*;

The Kermit, Lamborn et al. v. American Ship & Commerce Navigation Corporation et al., 76 F. 2d 363 (C. C. A. 9, 1935), cert. den. 296 U. S. 581, 80 L. Ed. 411, 56 S. Ct. 93 (1935).

If reasonable men could differ as to the propriety of the action taken by the trial court, then it cannot be said that the trial court abused its discretion.

See:

Delno v. Market St. Ry. Co., 124 F. 2d 965 (C. C. A. 9, 1942).

Where an appellant fails to point out the errors and where and in what specific respects the chancellor has abused his discretion, the errors should be deemed aban-

done and the appeal should be dismissed as presenting nothing for review.

See:

United States v. Cushman, 136 F. 2d 815, 817 (C. C. A. 9, 1943);

Peck v. Shell Oil Co., 142 F. 2d 141 (C. C. A. 9, 1944).

Appellant's brief merely cavils, in raising captious and frivolous objections to some of the secondary evidentiary points. It makes no serious or any attempt to show that the chancellor abused his discretion in sustaining the equitable defense of laches. We suggest that the Judgment should be affirmed on this ground alone.

F. Appellant's Claim Was Repudiated in June, 1947.

Although appellant's brief fails to state the basis of its claim to title to the patent in suit, its complaint in intervention indicates that the claim is based upon appellant's contention that Sears and Schrader, by the general terms of their employment by appellant, were obligated to assign to appellant all patent rights in improvements made by them during their employment and relating to ball point pens, parts therefor, and improved methods and machines for manufacturing such pens [Compl. Par. 11, R. 19]. As found by the District Court, appellant's claim is not based on any written contract [Finding XI, R. 46]. Appellant's complaint alleges in effect that Sears and Schrader held, and plaintiff Hartley Pen Company now holds, the inventions of the patent in suit and the patent as "constructive trustees' for the benefit of appellant.

If there was any obligation on Sears and Schrader to assign inventions to appellant, such obligation matured

when the machine and method of the patent in suit were reduced by appellant, at least as early as March, 1947, as so found by the District Court [Finding XIII, R. 47]. Again, the District Court found as a fact that appellant's claim to such inventions arose at least as early as June 14, 1947 [Finding XVII, R. 52]. These findings of fact are not challenged by appellant, and any discussion thereof is carefully avoided in appellant's brief.

The District Court further found as a fact that in May or June, 1947, Sears and Schrader repudiated "any obligation that they might have had to assign to the intervener inventions made by them during their employment by it" [Finding XV, R. 50]. This important finding of fact is fully supported by the evidence and the other uncontroverted findings of fact, which are reviewed as follows:

The District Court found [Finding XV, R. 49] that early in June, 1947, Mr. Miketta *acting as an agent for appellant and with its authorization* requested Sears and Schrader to execute written agreements to assign to appellant inventions made by them during the course of their employment. This is not denied by appellant. The District Court further found [Finding XV, R. 49] that one such form of assignment agreement which Sears was at that time so requested to execute was in the form exemplified by Exhibit B [R. 178] which required Sears to agree to assign to appellant:

" . . . the full and entire right, title, and interest in and to any patentably inventions [*sic*] invented by Hartley M. Sears during the course of his employment by Kimberly Corporation and prior to May 1, 1947, and embodied in the mechanical constructions of ball pens or parts therefor manufactured and sold by Kimberly Corporation prior to May 1, 1947, and

embodied in apparatus or mechanical devices used by Kimberly Corporation prior to May 1, 1947, in the manufacture of ball pens or parts therefor.” (Emphasis added.)

The District Court also found [Finding XV, R. 49] as a fact that a similar document was presented to Schrader for his signature, and that both Sears and Schrader refused to execute such agreements and *this fact was known to appellant prior to June 5, 1947*, and this is not denied or challenged by appellant.

As early as May 17, 1947, appellant knew that at least Sears was refusing to assign inventions made by him during his employment. Under an agreement with Eversharp, Inc., dated May 17, 1947 [Ex. 5] the principal shareholders of appellant agreed to assign past inventions to Eversharp, but Sears was expressly omitted from such obligation to assign past inventions, at the suggestion of Mr. Taube, executive vice-president of appellant, who candidly admitted [R. 153]:

“A. The reason for the omission of Mr. Sears is, the name of Mr. Sears, as I recall it, is that *I suggested that he be not included in it*, because in my mind the question of the assignment of *past* and future inventions was a package deal. I don’t know if I was wrong, but that is the way I understood it, and *I was under the impression that Sears was going to refuse it*. I was, of course, extremely anxious to bring the option deal to a successful conclusion, and, therefore, *I myself suggested that his name be omitted.*” (Emphasis added.)

The District Court found [Finding XV, R. 50-51], that *in lieu* of such assignments, appellant’s attorney acting on its behalf, prepared and submitted to Sears and Schrader

the documents Exhibits C [R. 180] and D [181], which in effect granted to appellant a mere shop right as to inventions made by them during their employment by appellant, and found that these documents were delivered to general counsel for appellant on or about June 11, 1947. Furthermore, in the Option Agreement dated June 14, 1947 [R. 176], Sears was expressly excluded from the obligation of most of the other shareholders of appellant to assign inventions acquired by them within one year theretofore.

The District Court found as a fact [Finding XV, R. 50], that Sears refused to assign such inventions to appellant upon the stated ground "that he was not obligated to do so under the terms of his employment by intervener, and this was known to intervener prior to June 5, 1947." This finding is amply supported by the testimony of both Mr. Miketta [R. 134-135, 200] and Mr. Sears [R. 195-196].

To recapitulate, here we have a demand by appellant to Sears and Schrader as early as June, 1947, that they assign to it inventions made by them during their employment by it, and a flat refusal by them to do so. This was a complete repudiation by them in June, 1947, of the claim asserted by appellant here.

The repudiation by a trustee of his trust obligations commences the running of the appropriate statutes of limitation against the beneficiary of the trust to enforce the trust (See: 25 Cal. Jur., Trusts, Sec. 133). In the case of a constructive trust, such as is asserted here by appellant, no such repudiation is necessary to start the running of the statutes of limitation (See: 25 Cal. Jur., Trusts, Sec. 135).

We, therefore, submit that whether Section 339(1) [two years] or Section 338(4) [three years] of the California Code of Civil Procedure, or the doctrine of laches, is applied here the result is the same, as appellant waited more than *six* years after its claim was repudiated by Sears and Schrader before taking legal action to assert its claim, and the action is barred. This fully supports the Judgment dismissing appellant's action.

G. Appellant's Claim Is Barred by Its Early Actual Notice of the Patent in Suit.

The District Court found that:

"Prior to the middle of 1950 intervenor received direct and actual notice of the issuance and contents of United States Letters Patent No. 2,498,009 in suit [F. XIX, R. 53.]"

Appellant's specification of errors (pp. 9-10) does not challenge this finding of fact or allege it to be erroneous, nor is this point argued in appellant's brief. Appellant has, therefore, waived any possible objection to this finding of fact.

See:

Mason v. Anderson-Cottonwood Irrigation District,
126 F. 2d 921 (C. C. A. 9th, 1942).

In any event, there is ample evidence to support such finding. The witness Croan testified that prior to June 30, 1950, he saw and examined a copy of the patent in suit at the executive offices of appellant, and that it was openly available for inspection by him and the officers of appellant Kimberly Corporation [R. 191]. On cross-examination by appellant in open court, Croan further testified that this copy of the patent in suit was at that

time shown to him by Mr. Taube (executive vice-president of appellant) [R. 88-90].

Mr. C. A. Miketta, a member of the Bar of this Court testified that in the spring of 1951 he personally advised Mr. Taube at the plant of the Kimberly Corporation that the Sears-Schrader machine of the patent in suit had been patented by them [R. 236-237, 249]. Again, in November, 1952, Mr. Miketta in a conversation with Mr. Taube referred to the patent here in suit [204-205, 239].

The evidence supports the District Court's Finding of Fact XIX as to actual notice, the District Court had the opportunity to judge the credibility of the witnesses who both appeared and testified in open court, and appellant has not shown this finding to be clearly erroneous. Therefore, Finding XIX should not be set aside (Rule 52(a) of the Federal Rules of Civil Procedure).

Obviously, Finding XIX supports the judgment. Since appellant took no legal action in the premises until it filed its Motion to Intervene in this action on January 15, 1954, it is plain that it had ample actual notice of the issuance of the patent in suit more than *three* years prior thereto to support the application of the bar of Section 338(4) of the California Code of Civil Procedure or more than *two* years prior thereto to support the application of the bar of Section 339(1) thereof. Appellant's delay beyond the expiration of either period specified by such statutes of limitation also constitutes laches, fully supporting the judgment.

H. Appellant's Claim Is Barred by Its Early Constructive Notice.

The District Court found [Finding XVII, R. 51-52] that appellant had constructive notice at least as early as June 14, 1947, that the inventions of the patent in suit were in fact patentable by reason of the facts that: (a) Sears and Schrader refused to assign to appellant inventions made by them during their employment; (b) as early as May or June, 1947, appellant knew that Sears and Schrader during their employment had designed the machine and developed the method of the patent in suit; (c) such circumstances were sufficient to put a prudent man on inquiry as to the facts; and (d) appellant had no right to rely upon any statements allegedly made by either Sears or Schrader as to such patentability. In addition, of course, prior to May 1, 1947, appellant, by Taube's alleged discussion with Sears as to the possible patentability of such machine and method, recognized that there was a question as to such patentability. In finding such constructive notice, the District Court did not ascribe it to any private knowledge of Mr. Miketta, but to actual facts known to appellant, and the argument by appellant's brief as to Mr. Miketta being a conduit for constructive notice [pp. 13-18] is wholly irrelevant.

The District Court also found as a fact that appellant had constructive notice of the patent in suit by reason of the recordation on November 12, 1949, in the United States Patent Office of written assignment thereof by Sears and Schrader to plaintiff Hartley Pen Company, and by reason of the issuance of the patent No. 2,498,009 in

suit on February 21, 1950, as of each of such dates [Finding XVIII, R. 52].

The law is that the "issuance of a patent and recordation in the Patent Office constitutes notice to the world of its existence."

See:

Wine Railway Appliance Co. v. Enterprise Railway Equipment Co., 297 U. S. 387, 393, 56 S. Ct. 528, 80 L. Ed. 736;

Sontag Stoves Co. v. National Nut Co., 310 U. S. 281, 285, 60 S. Ct. 96, 84 L. Ed. 1204.

Particularly apposite to the facts in this case is *Teal v. Schrader*, 158 U. S. 152, 15 S. Ct. 772, 39 L. Ed. 938. That case was an action in equity arising in California to compel the transfer of certain lands upon the ground that the legal owner had fraudulently acquired title thereto. The Supreme Court held that recordation of the deeds to the land was constructive notice to the plaintiffs of the fact of such conveyance, and that the action was barred by Section 338(4) of the California Code of Civil Procedure. For many other cases holding that public records operate as notice of facts starting the running of the statutes of limitation against actions based on alleged fraud, see the note in 137 American Law Reports, annotated, pages 268-301.

Appellant's brief does not deny that the issuance of a patent is constructive notice thereof to the world. It merely attempts to avoid the fatal consequences of such constructive notice by arguing that there is no duty upon a defrauded party to search the public records where there is a confidential relationship between the parties [pp.

18-25]. The complete answer to this is severalfold as follows:

(a) Any confidential relationship between Sears and Schrader and appellant arising out of their employment by the latter ended on May 1, 1947, with the termination of their employment;

(b) Appellant was under a duty to investigate the Patent Office records as early as the middle of 1950, as it had actual notice of the patent in suit prior to that time, as the District Court so found [Finding XIX, R. 53], and was further advised of the issuance of such patent by Mr. Miketta as early as May, 1951 [R. 236-237, 249];

(c) There was in fact no fraud involved, as pointed out hereinafter.

The cases relied upon by appellant [pp. 19-25] are all readily distinguishable on their facts from the present situation and are not in point. In *Anderson v. Thacher*, 76 Cal. App. 2d 50, the misrepresentations relied upon were intentional, whereas there is no evidence whatever that there was an intentional misrepresentation in the present case and even the fact of such a misrepresentation is denied. In *Dabney v. Philleo*, 38 Cal. 2d 60, and in *Rutherford v. Rideout Bank*, 11 Cal. 2d 479, and in *Hobart v. Hobart Estate Co.*, 26 Cal. 2d 412, there were no circumstances putting the plaintiff upon inquiry, whereas in the present case appellant had actual notice of the issuance of the patent in suit more than three years prior to its action here. In *Anglo-California National Bank v. Lazard*, 106 F. 2d 693, the confidential relationship between the parties continued within three years of the bringing of suit, whereas in the present case any alleged confidential relationship (the fact of which is denied)

ended on May 1, 1947, more than *six* years prior to appellant's action herein.

We, therefore, submit that the recording of the written assignment of the patent in suit on November 12, 1949, and the issuance of the patent on February 21, 1950, were constructive notice of the facts thereof more than three years prior to appellant's entry in this action, and appellant's claim is barred by either Section 338(4) or Section 339(1) of the California Code of Civil Procedure, or by laches.

I. There Is No Actual Fraud Involved in This Action.

Although appellant's brief repeatedly refers to "fraud" it wholly fails to specify the nature of such alleged fraud. We, like the Court, must guess as to just what appellant contends is the alleged "fraud" referred to by it in its brief. Appellant's brief (p. 4) states in effect that appellant relied "on the fraudulent representations of said Sears," but the only representation by Sears referred to in appellant's brief is (p. 3) that "Sears falsely represented to intervener-appellant that the machine protected by the patent in suit did not include any patentable features." The making of this statement was flatly denied by Sears [R. 194]. It is to be noted that appellant does not charge the co-inventor Schrader with any misrepresentations of any kind, and none is referred to in the record.

That a mere expression of opinion by a layman as to the possible patentability of an invention cannot be the basis for an action for fraud is, we suggest, self-evident. The patentability of an invention is a mere uninformed prediction as to a possible future event, and is subject to the unpredictable vagaries of the Patent Office. We must con-

fess that a statement as to possible patentability even by patent counsel is far from infallible.

The law is clear that statements of legal opinion by a layman cannot normally be the basis for an action for fraud where the facts are equally known or accessible to both parties (See: 23 Am. Jur. 810; 23 Cal. Jur. 2d 45). Such general rule is particularly apposite here, where, at the risk of repetition, the facts were as follows:

Sears and Schrader made the invention of the patent in suit while employed by appellant, and a machine according to the patent was built and commercially operated by appellant as early as March, 1947, with its full knowledge, as found by the District Court [Finding XIV, R. 48] and admitted by appellant [Compl. Par. 14, R. 20]. At that time appellant knew that Sears and Schrader had designed and developed such machine and method during such employment, as so found by the District Court [Finding XVII, R. 52]. Prior to May, 1947, appellant appreciated that such machine and method might be patentable, as found by the District Court [Finding XIV, R. 45] and as admitted by appellant [Compl. Par. 16, R. 21]. At all times during the employment of Sears and Schrader and thereafter, appellant was represented by patent counsel, C. A. Miketta, Esq. (a member of the Bar of this Court), but at no time did appellant make any inquiry of Mr. Miketta or any other patent counsel as to the patentability of the machine and method of the patent in suit, although such an opinion as to patentability by patent counsel was as available to it as to either Sears or Schrader, as the District Court so found [Finding XIV, R. 48]. Sears did not consult patent counsel with regard to the patentability of the invention until June 8-10, 1947 [R. 99-100, 110-111, 203, 211], long after he had allegedly made such

representation to appellant. Such facts are not controverted by appellant.

As found by the District Court [Finding XIV, R. 48], appellant was not justified nor had it any right to rely upon any personal opinion of Sears with respect to such patentability if in fact inquiry was made of Sears, as early as May, 1947, appellant had a duty to make an independent investigation as to such patentability, and appellant was negligent in failing to make such investigation.

Appellant did not rely upon such alleged representation by Sears, because in May, or early June, 1947, it requested both Sears and Schrader to assign to its inventions made by them or machines used by it during their employment, which, of course, included the machine of the patent in suit. Such request by appellant is wholly inconsistent with any alleged reliance upon Sears' alleged representations. Under the law, there can be no charge of "fraud" by appellant as to such representations when it obviously did not rely upon them.

See:

23 Am. Jur., Fraud and Deceit, Sec. 141;

23 Cal. Jur. 2d Fraud and Deceit, Sec. 29;

Seeger v. Odell, 18 Cal. 2d 475, 115 P. 2d 977,
136 A. L. R. 1291.

J. The Existence of Laches Is Amply Supported by the Record.

As pointed out above, appellant had actual notice of the adverse position taken by Sears and Schrader as early as June, 1947, and of their repudiation of any obligation to assign inventions to appellant, yet appellant delayed over six years to assert any further legal claim to such inven-

tions. All of the facts in this case clearly show the gross negligence of appellant in pursuing its alleged claim to such inventions including the one of the patent in suit.

The existence of laches is a question primarily addressed to the discretion of the trial court and need not be determined merely by a reference to a mechanical application of the statutes of limitation. Courts of equity, however, usually act or refuse to act in analogy to such statutes of limitation.

See:

Gillons v. Shell Co. of California, 86 F. 2d 600, 607 (C. C. A. 9, 1936), cert. den. 302 U. S. 689, 82 L. Ed. 532, 58 S. Ct. 9 (1937);

Craftint Mfg. Co. v. Baker, 94 F. 2d 369 (C. C. A. 9, 1938);

Westfall Larson & Co. v. Allman-Hubble Tug Boat Co., 73 F. 2d 200 (C. C. A. 9, 1934).

Since the law of the State of California applies, we find no necessity for showing any prejudice to the appellee to sustain its defense of laches. The delay being greater than the analogous statutes of limitation, the prejudice and injury are presumed and the burden is shifted to the appellant to show the contrary. See:

Gillons v. Shell Co. of California, *supra*;

Westfall Larson & Co. v. Allman-Hubble Tug Boat Co., *supra*;

California Casualty Indemnity Exch. v. United States, 74 Fed. Supp. 408, 410 (D. C., S. D., Cal. 1947);

Morales v. Moore-McCormack Lines, 208 F. 2d 218 (C. C. A. 5, 1953);

McGrath v. Panama R. Co., 298 Fed. 303 (C. C. A. 5, 1924).

Notwithstanding the presumption of prejudice aforementioned, the record discloses facts sufficient to establish the prejudice urged by the appellant to be absent herein.

Long prior to the issuance of the patent in suit in February of 1950, and continuously since its issuance, the appellee has operated in accordance with the invention thereof. Further, the appellee has licensed others under the patent [R. 25, 34]. In addition, it is recognized that the ball point pen industry is highly competitive and, as such, the possession by one firm of a small technical advantage over the others, for example by ownership of a patent, is the narrow line of demarcation between survival and bankruptcy. We can observe nothing less than extensive prejudice to the appellee if the patent in suit is taken from it, notwithstanding the violent repercussions that undoubtedly would occur to the present license relationships between appellee and its licensees under the patent in suit.

The above prejudicial aspects are also supplemented by other persuasive factors, for example: the heavy investment made by appellee over a long period of time prior to appellant's claim; the unfortunate prospect of being required to stop using the expensive precision machinery which practices the method of the patent in suit; the unavailability, by death or otherwise, of persons who could have testified in respect to material facts and circumstances relating to the material matters in the case; the disposition or loss of vital documents and records which may have a bearing on the case.

We submit that on the law and on the facts appellant is guilty of gross laches such as to bar its stale claim in this action, and that the Judgment should be affirmed.

K. Appellant's Attack on C. A. Miketta, Esq. Is Wholly Unwarranted.

Appellant's Brief throughout, by inference and innuendo, makes a wholly unwarranted attack on the professional integrity of C. A. Miketta, Esq., a member of the Bar of this Court. While we have no duty to Mr. Miketta, justice and fair play require a brief answer to appellant's charges with regard to Mr. Miketta's alleged "dual role representation" (App. Br. pp. 11, 13-14).

Appellant's argument as to "constructive notice" to appellant through Mr. Miketta is entirely irrelevant, because the District Court did not ascribe any constructive notice to appellant by way of any secret knowledge possessed by Mr. Miketta.

Throughout the negotiations in May and June, 1947, between appellant and Sears and Schrader regarding the assignment by the latter to appellant of inventions made during their employment, Mr. Miketta represented appellant as its patent counsel. As early as June 5, 1947, Sears and Schrader repudiated any alleged obligation to assign such inventions to appellant and this was fully known to appellant as found by the District Court [Finding XV, R. 49-50]. It was not until at least June 9, 1947, that Sears and Schrader consulted Mr. Miketta with regard to patenting the invention of the patent in suit, and up to that time Mr. Miketta had never heard of such invention [R. 110]. There is no contention by appellant that prior to June 9, 1947, Mr. Miketta had represented either Sears or Schrader in any way with respect to anything in which appellant had any interest, and there is no evidence to support such a contention. Consequently, Mr. Miketta had no "dual" representation during the critical events occurring prior to June 9, 1947, and when

Sears and Schrader consulted him on that date he was as free to prepare and file a patent application for them as any strange patent counsel would have been. His preparation and filing of the patent application for the patent in suit did not and could not prejudice appellant in any way. Actually, the filing of such patent application preserved the rights in the inventions of the patent in suit, whether for Sears and Schrader or for appellant in the event appellant later decided to legally renew its earlier claim to ownership of inventions made by them during their employment. Appellant's Brief (p. 16) concedes that Mr. Miketta was under no obligation to disclose to appellant the fact that Sears and Schrader had filed such patent application.

We, therefore, suggest that Mr. Miketta acted in the best tradition of the Bar, and that appellant's innuendoes to the contrary are unsupported and wholly unjustified.

V. CONCLUSION.

The real explanation for appellant's delay in asserting any claim to ownership of the inventions of the patent in suit is, we suggest, very plain from the record. In May, 1947, appellant's shareholders made a deal with Eversharp, Inc. to sell the latter all their stock in appellant for a substantial consideration. Consequently, we suggest, at that time it made no difference to appellant whether Sears and Schrader assigned to it their inventions, so long as Eversharp was satisfied. Mr. Taube, in effect, admitted this [R. 150]. At that time neither appellant nor its shareholders had any real interest in the matter. It was not until over six years later, after the Eversharp sale had fallen through, and after appellant had discovered that the patent in suit had become valuable, that appellant

renewed its stale claim, first made in May or June, 1947, and entered this pending action.

This case presents the simple situation of the employer, appellant Kimberly Corporation, upon the termination on May 1, 1947, of the employment of its two employees Sears and Schrader, requesting the employees to assign to it all inventions made by them during their employment, and, upon a refusal by them to do so, accepting the grant of a more limited shop right in the inventions, and then waiting until January 15, 1954, a period of almost seven years, before renewing its claim to ownership of such inventions. These basic facts are not and cannot be controverted by appellant. Appellant's action here is clearly barred by the appropriate statute of limitations of the State of California or by appellant's gross laches for a period far in excess of the periods provided for by such statute.

We submit that the judgment should be affirmed, with costs to the appellee.

Dated: September 2, 1955.

Respectfully submitted,

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